

Sac and Fox Nation
Audited Financial Statements
Governmental Activities and Funds
For the year ended September 30, 2015

Sac and Fox Nation

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Business Committee
Sac and Fox Nation
Stroud, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Sac and Fox Nation of Oklahoma (the "Nation"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Nation's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Nation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Sac and Fox Nation of Oklahoma, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the governmental activities and governmental funds of the Nation and do not purport to, and do not present fairly the financial position of the Sac and Fox Nation of Oklahoma, as of September 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sac and Fox Nation's financial statements. The schedule of expenditures of federal, state and other awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

The schedule of expenditures of federal, state and other awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

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States of America. In our opinion, the schedule of expenditures of federal, state and other awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, on our consideration of the Nation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control over financial reporting and compliance.

Midwest Professionals, P.L.L.C.
June 28, 2016
Gaylord, Michigan

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Sac and Fox Nation
Statement of Net Position - Governmental Activities
As of September 30, 2015

	Governmental Activities
Assets	
Cash and Cash Equivalents (Note 2)	\$ 43,878,929
Investments (Note 3)	16,453,003
Accounts Receivable, net (Note 4)	628,707
Grants Receivable (Note 5)	214,525
Due From Gaming Enterprise (Note 6)	7,517,673
Inventories	260,167
Capital Assets, net of depreciation (Note 7)	13,812,965
Total Assets	<u>82,765,969</u>
Liabilities	
Accounts Payable	1,351,013
Accrued and Other Liabilities	472,252
Per Capita Payable	1,441,525
Deferred Revenue (Note 8)	28,715,183
Compensated Absences (Note 9)	266,762
Total Liabilities	<u>32,246,735</u>
Net Position	
Net Investment in Capital Assets	13,812,965
Restricted (Note 14)	7,692,034
Unrestricted	29,014,235
Total net position	<u><u>\$ 50,519,234</u></u>

The accompanying notes are an integral part of these financial statements.

**Sac and Fox Nation
Statement of Activities - Governmental Activities
For the Year Ended September 30, 2015**

For the Year Ended September 30, 2015

Functions / Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Governmental Activities:	Expenses				
Community Service	\$ 1,606,576	\$ 77,181	\$ 1,083,770	\$ 511,147	\$ 65,522
Cultural Preservation	407,116	22,291	192,565	-	(192,260)
Education & Training	49,849	-	46,622	-	(3,227)
General Government	10,039,680	436,080	3,214,855	-	(6,388,745)
Health Services	8,641,066	1,125,517	9,669,843	-	2,154,294
Law Enforcement	1,816,781	6,561	1,416,927	-	(393,293)
Natural Resources	221,391	-	246,412	-	25,021
Depreciation and Amortization (Note 7)	956,841	-	-	-	(956,841)
Total Governmental Activities	<u>\$ 23,739,301</u>	<u>\$ 1,667,630</u>	<u>\$ 15,870,994</u>	<u>\$ 511,147</u>	<u>(5,689,530)</u>
General Revenues / (Expenses)					
		Sales Tax Revenue			4,349,889
		Unrealized Gains / (Losses) on Investments			56,128
		Realized Gains / (Losses) on Investments			83,940
		Interest Income			3,612
		Per Capita Distributions			(3,340,903)
		Total General Revenues / (Expenses)			<u>1,152,666</u>
Transfers In / (Out) (Note 6)					
		Total Transfers			<u>7,517,673</u>
Change in Net Position					
		Net Position - Beginning			2,980,809
		Prior Period Adjustment (Note 13)			48,356,967
		Net Position - Ending			<u>(818,542)</u>
					\$ 50,519,234

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**Sac and Fox Nation
Balance Sheet - Governmental Funds
As of September 30, 2015**

Assets

	General Fund	Indirect Cost Fund	B.I.A. Compact Fund	I.H.S. Compact Fund	Other Governmental Funds	Total
Cash and cash equivalents (Note 2)	\$ 6,032,583	\$ 596,839	\$ 14,491,254	\$ 15,778,308	\$ 6,979,945	\$ 43,878,929
Investments (Note 3)	16,453,003	-	-	-	-	16,453,003
Accounts Receivable, Net (Note 4)	424,581	-	47	12,419	191,660	628,707
Grants receivable (Note 5)	-	-	-	-	214,525	214,525
Due From Other Funds (Note 6)	8,225,786	384,762	-	-	284,640	8,895,188
Inventory	-	-	-	-	260,167	260,167
Total assets	<u>\$ 31,135,953</u>	<u>\$ 981,601</u>	<u>\$ 14,491,301</u>	<u>\$ 15,790,727</u>	<u>\$ 7,930,937</u>	<u>\$ 70,330,519</u>

Liabilities and fund equity

Liabilities

Accounts payable	\$ 376,419	\$ 39,877	\$ 103,328	\$ 768,854	\$ 62,535	\$ 1,351,013
Accrued Expenditures	297,179	38,644	23,495	67,659	45,275	472,252
Per Capita Payable	1,441,525	-	-	-	-	1,441,525
Due To Other Funds (Note 6)	-	-	569,396	808,119	-	1,377,515
Deferred revenue (Note 8)	-	-	13,795,082	14,146,095	774,006	28,715,183
Total liabilities	<u>2,115,123</u>	<u>78,521</u>	<u>14,491,301</u>	<u>15,790,727</u>	<u>881,816</u>	<u>33,357,488</u>

Fund balance

Fund balance - Unassigned	23,630,107	-	-	-	-	23,630,107
Fund balance - Assigned	5,390,723	-	-	-	-	5,390,723
Fund balance - Nonspendable (Note 14)	-	-	-	-	260,167	260,167
Fund balance - Restricted (Note 14)	-	903,080	-	-	6,788,954	7,692,034
Total fund balance	<u>29,020,830</u>	<u>903,080</u>	<u>-</u>	<u>-</u>	<u>7,049,121</u>	<u>36,973,031</u>
Total liabilities and fund balance	<u>\$ 31,135,953</u>	<u>\$ 981,601</u>	<u>\$ 14,491,301</u>	<u>\$ 15,790,727</u>	<u>\$ 7,930,937</u>	<u>\$ 70,330,519</u>

The accompanying notes are an integral part of these financial statements.

Sac and Fox Nation
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Indirect Cost Fund	B.I.A. Compact Fund	I.H.S. Compact Fund	Other Governmental Funds	Total
Revenues						
Federal Revenues	\$ -	\$ -	\$ 2,698,438	\$ 9,200,510	\$ 3,833,215	\$ 15,732,163
State & Other Grant Revenues	-	-	-	-	649,978	649,978
In-Kind Revenues	-	-	-	-	1,998,231	1,998,231
Third Party Revenues	-	-	-	-	1,079,163	1,079,163
Sales Tax Revenues	4,349,889	-	-	-	-	4,349,889
Fees, Fines, & Fund Raising Revenues	232,210	-	-	-	-	232,210
Licenses & Permits Revenues	15,945	-	-	-	-	15,945
Investment Income	143,680	-	-	-	-	143,680
Oil & Gas Revenues	94,278	-	-	-	-	94,278
Indirect Cost Recoveries	-	2,525,376	-	-	-	2,525,376
Other	148,605	20,485	-	-	76,944	246,034
Total Revenues	4,984,607	2,545,861	2,698,438	9,200,510	7,637,531	27,066,947
Expenditures						
Current						
Community Service	53,801	-	1,047	-	1,536,367	1,591,215
Cultural Preservation	211,754	-	-	-	192,565	404,319
Education & Training	-	-	96	-	46,526	46,622
General Government	5,211,297	2,385,443	2,279,162	-	29,523	9,905,425
Health Services	-	-	-	8,049,010	516,338	8,565,348
Law Enforcement	245,440	-	84,064	-	1,445,605	1,775,109
Natural Resources	-	-	-	-	217,160	217,160
Per Capita Distributions	3,340,903	-	-	-	-	3,340,903
Indirect Costs	631,090	-	327,229	994,956	572,101	2,525,376
In-Kind Expenditures	-	-	-	-	1,998,231	1,998,231
Capital Outlays (Note 7)	77,785	188,896	6,840	70,184	133,755	477,460
Total Expenditures	9,772,070	2,574,339	2,698,438	9,114,150	6,688,171	30,847,168
Revenues over (under) expenditures	(4,787,463)	(28,478)	-	86,360	949,360	(3,780,221)
Other Financing Sources (Uses)						
Transfers In From Casinos (Note 6)	7,517,673	-	-	-	-	7,517,673
Transfers In / (Out) (Note 6)	(102,790)	-	-	(86,360)	189,150	-
Total other financing sources (uses)	7,414,883	-	-	(86,360)	189,150	7,517,673
Net change in fund balances	2,627,420	(28,478)	-	-	1,138,510	3,737,452
Fund balance, beginning of year	26,393,410	931,558	-	-	5,921,111	33,246,079
Inventory Adjustment	-	-	-	-	(10,500)	(10,500)
Fund balance, end of year	\$ 29,020,830	\$ 903,080	\$ -	\$ -	\$ 7,049,121	\$ 36,973,031

The accompanying notes are an integral part of these financial statements.

**Sac and Fox Nation
Reconciliation of the Balance Sheet- Governmental Funds
To the Statement of Net Position
As of September 30, 2015**

Total Fund Balances per Balance Sheet - Governmental Funds	\$ 36,973,031
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,812,965
Amounts reported for governmental activities in the statement of net position are different because compensated absences accrued in relation to governmental activities are not reported as liabilities within the funds.	(266,762)
Net Position of Governmental Activities	<u><u>\$ 50,519,234</u></u>

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2015**

Net Change in Fund Balances - Governmental Funds	\$ 3,737,452
Amounts reported for governmental activities in the statement of net position are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:	
Capital Outlay	477,460
Depreciation Expense	<u>(956,841)</u>
	(479,381)
Accrual of compensated absences is not recorded as expenditures within the funds.	(266,762)
Inventory adjustments on governmental fund financial statements are recorded as direct adjustments to equity (expensed when purchased). On the Tribe-wide financial statements inventory is expensed when consumed.	(10,500)
Change In Net Position of Governmental Activities	<u><u>\$ 2,980,809</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Introduction

Pursuant of the Oklahoma Indian Welfare Act of June 26, 1936, the Sac and Fox Nation (the “Nation”) was formed. The Nation adopted a new constitution in 1987. The supreme governing body of the Nation is the Governing Council, which is composed of all the voting members of the Nation. The Business Committee is the policy making body of the Nation and is responsible for overseeing all of the Nation’s operations. The Business Committee is composed of the Principal Chief, Second Chief, Secretary, Treasurer, and one Committee Member. The members of the Business Committee are elected to a 4 year term, with elections staggered every two years. The administrative offices for the Sac and Fox Nation are located in Stroud, Oklahoma.

The accompanying basic financial statements reflect the financial position and results of the operations of the activities over which the Nation exercises fiscal and administrative control. The financial statements do not include the financial position and the results of operations of individual members of the Business Committee, or various non-tribal entities that are independent of the Nation and over which the Nation does not exercise operating control.

The accounting policies of the Sac and Fox Nation conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) issues standards for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments, including Indian tribes. As permitted by GASB Statement No. 20, the Nation has elected to apply pronouncements of the Financial Accounting Standards Board (FASB) issued subsequent to November 30, 1989, except those conflicting with GASB pronouncements, in the proprietary funds.

Reporting Entity

Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units are legally separate organizations that are included in the Nation’s reporting entity because of the significance of their operational or financial relationships with the Nation. All significant activities and organizations with which the Nation exercises oversight responsibility have been considered for inclusion in the financial statements.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include,

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Reporting Entity - Continued

but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria the **Housing Authority of the Sac and Fox Nation**, and **Sauk Business Enterprises, Inc.**, which includes the *Sac and Fox Casino (Stroud)* and the *Black Hawk Casino (Shawnee)*, are identified as blended component units of the Nation. For financial statement purposes these blended component units are considered enterprise funds. See more detailed descriptions of these blended component units (enterprise funds) below:

Housing Authority of the Sac and Fox Nation – acts as the official Tribally Designated Housing Entity (TDHE) for the Sac and Fox Nation. The purpose of the Authority is to establish decent, safe, and sanitary housing for members of the Sac and Fox Nation. Federal funding is received from the U.S. Department of Housing and Urban Development (HUD).

Sauk Business Enterprises, Inc. – Includes two casinos disclosed below:

Sac and Fox Casino (Stroud) – is an enterprise fund of Sauk Business Enterprises, Inc. formed to operate a gaming facility on tribal land. The Casino's operations consists primarily of gaming machines.

Black Hawk Casino (Shawnee) – is an enterprise fund of Sauk Business Enterprises, Inc. formed to operate a gaming facility on tribal land. The Casino was known as the Sac and Fox Nation Casino (Shawnee) before it was rebranded during the year ended June 30, 2013. The Casino's operations include gaming machines, table games, food and beverage services and tobacco vending machines.

These blended component units (enterprise funds) have been excluded from this report. Only governmental activities of the Nation are reported in the accompanying financial statements. Copies of the audited financial statements for the above listed enterprise funds may be obtained by contacting the Nation's headquarters in Stroud Oklahoma.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Basic Financial Statements

The basic financial statements of the Nation include the government-wide and the fund financial statements. In the current reporting model, the focus is on the Nation as a whole in the government-wide financial statements, while reporting additional and detailed information about the Nation's major governmental activities in the fund financial statements.

Government-Wide Financial Statements

The government-wide statement of net position and the statement of activities present information about the Nation as a whole. However, only governmental type activities are disclosed in the accompanying financial statements. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through transfers from business-type activities (enterprise funds), investment income, federal grant revenues and taxes. The business-type activities, blended component units and enterprise funds of the Nation are not included in this report.

The government-wide statement of activities reflects the cost of programs and functions (community service, cultural preservation, law enforcement, health services, etc.) reduced by directly associated revenues (charges for services, operating grants, and capital grants) to arrive at the net revenue or expense for each function. Net program revenues or expenses for governmental activities are then adjusted for general revenues and transfers to determine the change in net position for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Nation's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

A fund is an independent fiscal and accounting entity with self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained, consistent with legal and managerial requirements.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Fund Financial Statements - Continued

The fund financial statements provide information about the Nation's funds. Only financial statements for the governmental fund category are presented. The proprietary and fiduciary fund financial statements have been excluded from the accompanying financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Nation reports the following major governmental funds:

General Fund - The general fund is the Nation's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

Indirect Cost Fund – This fund is used to account for the administrative overhead costs of the Nation. Indirect cost rates are negotiated between the Nation and the U.S. Department of Interior – Interior Business Center.

B.I.A. Compact - This fund accounts for special revenue programs for which the funding is received directly from the U.S. Department of Interior, Bureau of Indian Affairs under the Tribal Self-Governance Act of 1994. The objective of the Tribal Self-Governance program is to further the goals of Indian self-determination by providing funds to Indian tribes to administer a wide range of programs with maximum administrative and programmatic flexibility.

I.H.S. Compact - This fund accounts for special revenue programs for which the funding is received directly from the U.S. Department of Health and Human Services, Indian Health Services under the Tribal Self-Governance Act of 1994. The objective of the Tribal Self-Governance program is to further the goals of Indian self-determination by providing funds to Indian tribes to administer a wide range of programs with maximum administrative and programmatic flexibility.

Blended Component Units (proprietary funds) excluded from this report:

Housing Authority of the Sac and Fox Nation
Sauk Business Enterprises, Inc. (Stroud and Shawnee Casino operations)

Fiduciary fund excluded from this report:

Minors' Trust Fund

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Measurement Focus - Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Nation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements (appropriate expenditures) have been satisfied. The Nation applies all applicable FASB pronouncements in accounting and reporting for its operations in the government-wide financial statements.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Nation considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Cash Equivalents

Cash and cash equivalents represents all cash on hand and deposits in financial institutions. Cash equivalents are short-term financial instruments with an original maturity of three months or less.

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are recorded at their fair value. Unrealized gains and losses are included in reserve. Federal grant and contract provisions authorize the Nation to invest in obligations of the United States or in obligations or securities that are guaranteed or insured by the United States, or mutual (or other) funds registered with the Securities and Exchange Commission and which only invest in obligations of the United States or securities that are guaranteed or insured by the United States.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental fund balance sheet, and as “Internal Balances” on the statement of net position within the governmental-wide financial statements.

Grant Receivables

Grant revenue is recognized as appropriate expenditures are incurred on federal and state grant programs. Where the funding has yet to be received by the Nation, a grant receivable is recorded to offset incurred grant expenditures. Grant receivable balances at fiscal year-end represent an excess of expenditures over cash received to date.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is used when management has reason to believe that a portion of accounts receivables will be uncollectible. Adjustments to the allowance account result in an offsetting adjustment to bad debt expense.

Inventories

On the governmental fund financial statements, inventories under governmental fund types are recorded using the purchase method of accounting. Inventory items are fully expensed in the purchase period. Changes in inventory balances are accounted for by making adjustments to a non-spendable fund balance set up for inventory as opposed to directly adjusting purchases expense.

On the government-wide financial statements, all inventories are recorded at cost; these items are capitalized and expensed when consumed. Inventories at September 30, 2015 were as follows:

Food Commodities	\$188,167
Pharmacy	<u>72,000</u>
Total	<u>\$260,167</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost if the actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance are expensed when incurred. Depreciation on capital assets are calculated on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Vehicles	5 years
Buildings & Improvements	10-40 years
Land Improvements	10-30 years

The Nation's capitalization threshold is \$5,000.

Deferred Revenue- Grants

Federal/State award monies received in advance of qualifying expenditures being incurred are recorded on the Nation's balance sheet as deferred revenue.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In-Kind Revenues/Expenditures

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore recorded as revenue and expenses within the individual grants. The amounts of such services are recorded in the accompanying governmental financial statements at their estimated fair market values at the date of service.

Indirect Costs

Indirect costs represent recoverable overhead costs charged to programs by the Nation's Indirect Cost Fund in connection with administering and accounting for these programs. The amount charged to each program is determined by a rate, which is negotiated each fiscal year between the Nation and the U.S. Department of the Interior, Internal Business Center (IBC). The Nation's approved rate for fiscal year 2015 was 41.77%.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Budgets

The Sac and Fox Nation makes annual appropriations for the General and Special Revenue Funds. An established budget and a financial control system monitor compliance through a budget-to-actual expenditure comparison. Budget to actual comparisons are not presented in the accompanying financial statements, although they are required by GASB Statement 34. The Nation has not presented the statement due to its limited usefulness in comparing the actual data on a fiscal year basis and the budget information on a calendar year basis.

Equity Classifications

Fund Financial Statements:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued by the Government Accounting Standards Board in February, 2009, effective for fiscal years beginning after June 15, 2010. This statement established new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unrestricted to five new classifications, which are as follows:

1. Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted - Consists of net assets with constraints placed on their use by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
3. Committed – Used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. A fund balance commitment can only be modified or rescinded by action of the highest level of decision-making authority.
4. Assigned – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A policy has not been established to govern the person(s) authorized to assign amounts to a specific purpose.
5. Unassigned – The lowest classification for the general fund. This is fund balance that has not been reported in any other classification. The general fund is the only fund that can report a positive balance in this category.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Equity Classifications - Continued

Government - Wide Statement:

Equity on the tribe-wide financial statements is presented in the following categories:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may also affect the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from estimates.

Income Taxes

The Sac and Fox Nation is a treaty Tribe recognized by the federal government as a sovereign government unit and as such, is considered exempt from federal and state income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 2 – Cash and Cash Equivalents

Custodial Credit Risk- Custodial credit risk on deposits is the risk that in the event of a bank failure, the Nation's deposits might not be returned to it. The Nation does not have a bank deposit policy to address custodial credit risk.

As of the fiscal year-end, the carrying amount of the Nation's deposits for its governmental activities was \$43,878,929 and bank balances were \$44,700,421. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$17,057 was collateralized by securities pledged by BancFirst, \$43,025,454 was invested in sweep accounts (see next paragraph for description of sweep accounts), and the remaining \$1,157,910 was uninsured and uncollateralized (money market funds carried with Exencial). All deposits are carried at cost. For cash and cash equivalents, savings accounts are considered cash equivalent due to their highly liquid nature.

The Nation utilizes "sweep" accounts, which are accounts where the funds are automatically managed between a primary cash account and secondary investment accounts. At fiscal year-end \$43,025,454 of the Nation's funds were located in the investment accounts and carried at fair market value. These investments are insured or guaranteed by the U.S. government. Due to the highly liquid nature of these sweep accounts they are considered cash equivalents for financial statement reporting purposes.

Carrying amounts and bank balances as of the fiscal year-end are detailed below:

	Carrying Amount	Bank Balance
Governmental Activities		
General Fund	\$ 6,032,583	\$ 6,854,075
IDC Fund	596,839	596,839
B.I.A. Compact	14,491,254	14,491,254
I.H.S. Compact	15,778,308	15,778,308
Other Funds	6,979,945	6,979,945
Total Governmental Activities	<u>\$ 43,878,929</u>	<u>\$ 44,700,421</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 3 – Investments

As of the fiscal year-end the Nation had the following investments:

	Fair Value	Invested in United States Government Backed Securities	Invested In Other
Governmental Activities			
Bureau of Indian Affairs - Trust Account	\$ 3,684,175	\$ 3,684,175	\$ -
Bancfirst - Certificate of Deposit	108,887	-	108,833
Exencial - Mutual Funds	12,642,544	10,205,079	2,437,465
Exencial - Stocks (ETF's)	17,397	-	39,648
Total Governmental Activities	<u>\$ 16,453,003</u>	<u>\$ 13,889,254</u>	<u>\$ 2,585,946</u>
Restrictions on Investments			
Investments-Unrestricted	\$ 16,453,003	\$ 13,889,254	\$ 2,585,946
Investments-Restricted	-	-	-
Total Investments	<u>\$ 16,453,003</u>	<u>\$ 13,889,254</u>	<u>\$ 2,585,946</u>

Investment income reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds* contains net unrealized gains on investments totaling \$56,128 for fiscal year 2015.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Nation's current investment policy does not allow it to invest Federal and State grant funds in investments that are not guaranteed or insured by the U.S. government. There is no limit to how the Nation may invest funds derived from its own revenues. The Nation's investments are unrated.

Concentration of Credit Risk – The Nation does not currently have a policy that addresses concentration of credit risk. At September 30, 2015 the Nation had no investments in any one issuer (excluding U.S. Treasury securities, those insured by the U.S. government, and mutual funds) that represented 5% or more of the total or the Nation's investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, the Nation will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Nation's investment policy requires that all grant funds from Federal and State sources be invested in securities that are insured or guaranteed by the U.S. government.

SAC AND FOX NATION**NOTES TO THE FINANCIAL STATEMENTS**
September 30, 2015**Note 4 – Accounts Receivable**

Receivables as of September 30, 2015 consisted of the following:

	General Fund	Indirect Cost Fund	B.I.A. Compact Fund	I.H.S. Compact Fund	Other Governmental Funds	Governmental Activity Total
Accounts Receivable -						
Other	\$ 424,581	\$ -	47	\$ 12,419	\$ 191,660	\$ 628,707
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-
Accounts Receivable, Net	<u>\$ 424,581</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 12,419</u>	<u>\$ 191,660</u>	<u>\$ 628,707</u>

SAC AND FOX NATION**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015****Note 5 – Grants Receivable**

Grants receivable are deemed to be fully collectible by management and are comprised of the following totals by source at September 30, 2015:

		9/30/2015
Other Governmental Funds	CFDA NO.	Balance
004 Elders Fund Program	93.047	\$ 15
034 Special Diabetes	93.237	2,246
038 LIHEAP	93.568	14,769
062 TITLE IV-B, PART 1 - C	93.645	44,832
069 TITLE IV - B, PART 2,	93.556	28,502
079 Poni Construction	93.441	1,577
122 Caregiver/Title VI Par	93.054	12,454
152 EPA PRG (GAP and Eater	66.926	25,196
163 ANA SAUK Language	93.587	3,456
171 EPA Air	66.034	8,796
172 EPA Water	66.419	987
174 I. A. S. A. P. (DOJ)	16.710	72
179 Hazard Mitigation	97.039	6,562
184 Title IV-E Planning Gr	93.658	468
185 Four Directions (DOJ)	16.812	18,067
193 National Science Foundation	47.175	46,526
Total Other Governmental Funds		<u>\$ 214,525</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

Note 6 – Interfund Balances and Activity

Interfund balances as of the fiscal year-end are summarized as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>	<u>Purpose</u>
General Fund	\$ -	\$ 8,225,786	Program Support
IDC Fund	-	384,762	Program Support
B.I.A. Compact	569,396	-	Program Support
I.H.S. Compact	808,119	-	Program Support
Other Governmental Funds	-	284,640	Program Support
Blended Component Units (Enterprise Funds)	7,517,673	-	Revenue Sharing
	<u>\$ 8,895,188</u>	<u>\$ 8,895,188</u>	

The business-type activities and blended component units (enterprise funds) of the Nation are not reported in the accompanying financial statements. The internal balances within the statement of net position will not net zero. A due from the Gaming Enterprise will be carried in the amount of \$7,517,673.

Interfund transfers between governmental funds during the fiscal year are summarized as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>	<u>Purpose</u>
General Fund	102,790	-	
Other Governmental Funds	-	102,790	Program Support
I.H.S. Compact	86,360	-	Transfer JDC Substance Abuse
Other Governmental Funds	-	86,360	Dollars to Appropriate Program
	<u>189,150</u>	<u>189,150</u>	

Interfund transfers between governmental funds and blended component units (enterprise funds) during the fiscal year are summarized as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>	<u>Purpose</u>
General Fund	-	7,517,673	Revenue sharing
Sauk Business Enterprises, Inc.	7,517,673	-	Revenue sharing
	<u>7,517,673</u>	<u>7,517,673</u>	

Of the total shown above \$7,517,673 had not yet been transferred to the general fund at September 30, 2015 and was carried as a due from Gaming Enterprise within the financial statements.

The Nation has approved the use of certain trust land by the Gaming Enterprise. The Casinos do not pay rent for the use of such land, and it remains in trust for benefit of the Nation.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

Note 7 – Capital Assets

Capital asset activity as of the fiscal year-end is summarized as follows:

Governmental Activities	Beginning Balance	Prior Period Adjustment	Additions	Disposals	Ending Balance
Capital Assets Not Being Depreciated					
Land	1,349,032	-	-	-	1,349,032
Total Capital Assets Not Being Depreciated	1,349,032	-	-	-	1,349,032
Capital Assets Being Depreciated					
Buildings and Improvements	18,349,524	605,202	91,490	-	19,046,216
Land Improvements	4,440,874	(2,061,326)	-	-	2,379,548
Vehicles, Equipment & Furniture	5,561,062	(400,620)	385,970	-	5,546,412
Total Capital Assets Being Depreciated	28,351,460	(1,856,744)	477,460	-	26,972,176
Less Accumulated Depreciation	14,589,604	(1,038,202)	956,841	-	14,508,243
Capital Assets Being Depreciated, Net	13,761,856	(818,542)	(479,381)	-	12,463,933
Governmental Activities Capital Assets, Net	\$ 15,110,888	\$ (818,542)	\$ (479,381)	\$ -	\$ 13,812,965

Depreciation Expense on the Statement of Activities:

Detailed historical cost records are not available to support the amounts reported within the above fixed asset schedule. It is not practical to assign depreciation expense to functional categories on the Statement of Activities. Therefore, depreciation expense is reported separately within the Statement of Activities.

Total Governmental Activities Depreciation Expense \$ 956,841

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

Note 8 – Deferred Revenue

Special revenue funding received in advance of related and incurred expenditures are composed of these balances by source of funds as of September 30, 2015:

B.I.A. Compact Fund	CFDA NO.	
037 DOI Compact	15.022	13,795,082
Total B.I.A. Compact Fund		13,795,082
 I.H.S. Compact Fund		
032 IHS Compact	93.210	14,146,095
Total I.H.S. Compact Fund		14,146,095
 Other Governmental Funds		
003 Transportation Planning	15.142	9,396
005 USDA/FDPIR	10.567	76,948
074 ANA - LANGUAGE	93.587	8,939
084 Juvenile Facility Oper	15.022	67,564
086 Library Services Grant	45.311	5,158
087 Mineral Assessment	15.038	24,108
090 JDC Substance Abuse	93.210	402,485
104 Elders Title VI Part C	93.047	51,159
106 Family Violence Preven	93.671	1,675
117 Nutrition Services Inc	93.053	2,533
145 Historic Preservation	15.904	69,550
151 EPA GAP	66.808	22
159 IRR-CTBOOT82419 C-HQ,SMPC,	15.022	2
164 G-XXIEOKNEWP 6/30/0X	93.594	11,053
168 BIA 477 Planning Grant	15.022	16,500
170 Native Aspirations	93.243	4,023
175 ICDBG (2) Lagoon Cells	14.862	498
177 Emergency Management	97.007	6,380
180 ARRA Nutrition	93.706	3,053
182 ARRA - EECG	81.128	119
189 Native Voice/Endangered	N/A	12,841
Total Other Governmental Funds		774,006
 Total of All Funds		\$ 28,715,183

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 9 – Compensated Absences

Annual Leave

Regular full time employees are allowed to accrue annual leave at a rate of four (4) hours per pay period for the first three (3) years of employment. During the fourth consecutive year of employment and each year thereafter, full time employees accrue annual leave at a rate of six (6) hours per pay period.

Regular part time employees are allowed to accrue annual leave each pay period at a rate of 5% of hours worked for the first three (3) years. During the fourth consecutive year of employment and each year thereafter, part time employees accrue annual leave each pay period at a rate of 7.5%.

Annual leave may be accrued on an unlimited basis. Upon separation from the Nation, payment of unused annual leave will be limited to 104 hours for employees with less than three (3) consecutive years of service, and limited to 160 hours for employees with more than three (3) consecutive years of service.

Compensatory Time

For purposes of authorizing compensatory time in lieu of overtime to employees the Fair Labor Standards Act (FLSA) provisions pertaining to public agencies is adopted. Compensatory time accrued is required to be used before accrued annual leave hours. No more than 240 hours of compensatory time is allowed to be accrued. Unused accrued compensatory time will be paid to employees upon termination.

Compensated absence activity for the fiscal year is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Funds				
General Fund	<u>\$ 345,306</u>	<u>\$ (78,544)</u>	<u>\$ 266,762</u>	<u>\$ 266,762</u>
Total Governmental Funds	<u><u>\$ 345,306</u></u>	<u><u>\$ (78,544)</u></u>	<u><u>\$ 266,762</u></u>	<u><u>\$ 266,762</u></u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 10 – Risk Management and Contingencies

The Nation is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For all risks of loss other than for employee health, dental and disability, the Nation's policy is to purchase commercial insurance from independent third parties. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the past three years.

Federal and State Grants

Many of the Nation's programs are funded by various federal and state agencies. Expenditures made under such programs are subject to review and approval or disallowance by the agencies. Any costs disallowed by the agencies are subject to negotiation and are not recorded as liabilities until mutually agreed-upon. As of September 30, 2015, no agency disallowed costs were identified.

Note 11 – Economic Dependency

The Nation receives a significant amount of its financial support from grants. These grants are funded by various federal, state, and local government agencies. The loss of these revenue sources would severely inhibit the Nation's ability to perform regular daily administrative and operating activities.

Note 12 – Retirement Plan

Employees of the Sac and Fox Nation are eligible for participation in the Sac and Fox Nation 401(k) Plan (the "Plan"). All permanent, full time employees of the Nation who have been employed for one year are participants in the plan. Employees may contribute up to 20% of their compensation to the Plan. The Nation provides 6% of each employee's annual compensation to the Plan. Employer contributions are vested at participation. The contributions to the Plan are invested according to participant's directions. Employee and employer contributions for the year ended September 30, 2015 were \$135,274 and \$426,269 respectively.

Note 13 – Prior Period Adjustments

During fiscal year 2015 a physical count of the Nation's fixed assets was conducted. The result of this physical count was a reduction in the net book value of the Nation's capital assets. Capital assets are not carried on the Nation's governmental fund financial statements and no adjustments to these statements were made. However, the Nation's tribe-wide financial statements do report capital assets and so a prior period adjustment to the tribe-wide financial statements was made as a result of the information obtained during the physical count. The net amount of this prior period adjustment is (\$818,542).

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Note 14 – Restricted Equity

The Nation considers funds carried within the Revenue Allocation Plan program to be assigned and reports it as such on the Balance Sheet – Governmental Funds. The amount of assigned Revenue Allocation Plan funds at September 30, 2015 was \$5,390,723. These amounts are not considered restricted and are, therefore, classified as “Unrestricted” on the Statement of Net Position.

Items of inventory are not in a spendable form and related equity is classified as nonspendable on the Balance Sheet – Governmental Funds. The Nation’s nonspendable fund balance as of the year-end was \$260,167 exactly matching the inventory balance carried at that date. These amounts are not considered restricted and are, therefore, classified as “Unrestricted” on the Statement of Net Position.

The use of fund balance carried over from one year to the next within special revenue funds is restricted based on the purpose of the particular program. The special revenue funds of the Nation include its Indirect Cost Fund, B.I.A. Compact Fund, I.H.S. Compact Fund, and Other Governmental Funds. Positive equity carried as of the year-end within these special revenue funds amounted to \$7,692,034.

	09/30/2015 Restricted Fund Balance
Indirect Cost Fund	
030 Indirect Cost	\$ 903,080
Total B.I.A. Compact Fund	<u>903,080</u>
Other Governmental Funds	
005 USDA / FDPIR	(56,440)
039 Clinic Third Party	6,007,905
079 Poni Construction	341,774
130 IRR FY02 Admin Cap Building	81
137 NAGPRA Consultation Project	2,612
144 Transportation - Special Project	51,678
160 Juvenile Sanctions Program	441,344
Total Other Governmental Funds	<u>6,788,954</u>
Total of All Funds	<u>\$ 7,692,034</u>

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal, State and Other Awards

For the Year Ended September 30, 2015

Department / Agency / Program	Federal CFDA Number	Total 2015 Federal / State Expenditures
<u>U.S. Department of Agriculture</u>		
Direct Programs:		
* Commodity Foods - In Kind	10.565	1,924,338
* Food Distribution	10.567	716,786
Juvenile Facility Food Nutrition	10.766	20,536
Total U.S. Department of Agriculture		2,661,660
<u>U.S. National Science Foundation</u>		
Direct Programs:		
Social, Behavioral and Economic Sciences	47.075	46,526
Total U.S. National Science Foundation		46,526
<u>U.S. Department of the Interior</u>		
<u>Bureau of Indian Affairs</u>		
Direct Programs:		
* B.I.A. Compact	15.022	3,225,598
* Contract Support	15.024	342,350
Total Department of the Interior		3,567,948
<u>U.S. Department of Justice</u>		
Direct Program:		
Four Directions	16.812	72,511
Total U.S. Department of Justice		72,511
<u>U.S. National Foundation of Arts and Humanities</u>		
<u>Institute of Museum and Library Sciences</u>		
Library Basic Grant / Enhancement Grant	45.311	8,092
Total U.S. National Foundation of Arts and Humanities		8,092

* Tested as a major program under OMB Circular A-133 guidelines.

Schedule of Expenditures of Federal, State and Other Awards

For the Year Ended September 30, 2015

Department / Agency / Program	Federal CFDA Number	
----------------------------------	---------------------------	--

Environmental Protection Agency

Direct Programs:

EPA Air Pollution Control	66.034	39,563
General Assistance Program	66.926	250,847
Total Environmental Protection Agency		290,410

Department of Health and Human Services

Direct Programs:

Title VI Part A Elders	93.047	105,740
Nutrition Services Incentive	93.053	16,839
Title VI-C Caregivers	93.054	25,717
* I.H.S. Compact	93.210	9,200,510
* Juvenile Detention Center - Substance Abuse	93.210	33,336
* Special Diabetes	93.237	496,753
Title IV-B Safe Families	93.556	36,885
LIHEAP	93.568	115,228
ANALanguage	93.587	186,527
Native Employment Works	93.594	29,523
* Child Care Development Fund	93.596	740,743
Title IV-B Child Welfare	93.645	21,508
Family Violence	93.671	(155)
Total Department of Health and Human Services		11,009,154

U.S. Department of Homeland Security

Direct Programs:

Emergency Management	97.007	200
Total U.S. Department of Homeland Security		200

Total Federal Assistance 17,656,501

* Tested as a major program under OMB Circular A-133 guidelines.

Schedule of Expenditures of Federal, State and Other Awards

For the Year Ended September 30, 2015

Department / Agency / Program	Federal CFDA Number	
----------------------------------	---------------------------	--

State of Oklahoma

Direct Programs:

Juvenile Facility Grant	N/A	511,147
Total State of Oklahoma Assistance		511,147

Other Assistance:

Juvenile Facility Grant	N/A	132,794
Native Voice - Endangered	NA	6,037
Total of Other Assistance		138,831

* Tested as a major program under OMB Circular A-133 guidelines.

SAC AND FOX NATION

Notes to Schedule of Expenditures of Federal, State and Other Awards for the Year Ended September 30, 2015

Note A

The accompanying schedule of expenditures of Federal, State and Other Awards includes the Federal, State and Other Grant activity of Sac and Fox Nation of Oklahoma and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B

Subrecipients

The Sac and Fox Nation provided federal award payments to subrecipients during the fiscal year ended September 30, 2015 as follows:

Payments made 10/1/2014 - 9/30/2015			
Subrecipient	Program Title	CFDA#	Amount Provided
Central Tribes of the Shawnee Area, Inc. (EIN 73-0954072)	Child Care Development Fund	93.596	740,743
Total Federal Awards to Subrecipients			<u>\$ 740,743</u>

Food Commodities

The Sac and Fox Nation of Oklahoma received \$1,924,338 worth of food commodities during the fiscal year ended September 30, 2015.

Note C

Reconciliation of Reported Expenditures to Financial Statement Totals

The following is a reconciliation of total federal expenditures reported on the Schedule of Expenditures of Federal, State and Other Awards to the federal revenue total reported on the Nation's statement of revenues, expenditures, and changes in fund balance- governmental funds for the year ended September 30, 2015:

Per Statement of Revenues, Expenditures, and Changes in Fund Balance	
Federal Revenues	\$ 15,732,163
Food Commodities In-Kind Revenue	<u>1,924,338</u>
Total Federal Assistance	<u>\$ 17,656,501</u>
Per Schedule of Federal, State and Other Awards	
Federal Expenditures	<u>\$ 17,656,501</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Business Committee
Sac and Fox Nation
Stroud, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Sac and Fox Nation (the "Nation"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the governmental activities and governmental fund financial statements, and have issued our report thereon dated June 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sac and Fox Nation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Midwest Professionals, P.L.L.C.
June 28, 2016
Gaylord, Michigan

Member of American Institute of Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Business Committee
Sac and Fox Nation
Stroud, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Sac and Fox Nation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Nation's major federal programs for the year ended September 30, 2015. The Sac and Fox Nation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Nation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sac and Fox Nation's compliance.

Opinion on the Major Federal Programs

In our opinion, the Sac and Fox Nation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the Sac and Fox Nation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sac and Fox Nation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Midwest Professionals, P.L.L.C.
June 28, 2016
Gaylord, Michigan

Member of American Institute of Certified Public Accountants

Sac and Fox Nation
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015
Part A- Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the governmental activities and governmental fund financial statements of the Sac and Fox Nation of Oklahoma.
2. No deficiencies relating to the audit of the governmental funds financial statements are reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the governmental fund financial statements of the Sac and Fox Nation of Oklahoma were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal awards are reported in the *Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the Sac and Fox Nation of Oklahoma expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the Sac and Fox Nation of Oklahoma are reported in Part C of this schedule.

7. The programs tested as major programs included:

Federal Major Programs	CFDA <u>No.</u>
Food Commodities (Department of Agriculture)	10.565
Food Distribution (Department of Agriculture)	10.567
Indian Health Services (I.H.S.) Compact (Health and Human Services)	93.210
Special Diabetes (Health and Human Services)	93.237
Bureau of Indian Affairs (B.I.A.) Compact (Department of Interior)	15.022
Indian Self Determination Contract Support (Department of Interior)	15.024
Child Care Development Fund (Health and Human Services – ACF)	93.596

Sac and Fox Nation
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015
Part A- Summary of Auditor's Results

8. The threshold for distinguishing Types A and B programs was \$529,695.
9. The Sac and Fox Nation of Oklahoma is determined to be a non low-risk auditee.

Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015
Part B- Financial Statement Findings

Prior Year Audit Findings:

Internal Control over Financial Reporting

2013-001 Accounts Receivables (Non-Grant Sources)
Material Weakness

Condition: During the fiscal year, the Nation's accounting department did not properly record revenues and associated accounts receivables balances for these non-grant source activities:

Oil and Gas Royalties
Clinic 3rd Party
Tax Revenues
Gaming Revenue Sharing
Fees, Fines & Assessments

Criteria: The Tribe's fiscal policies and procedures manual does not address this issue. Generally Accepted Accounting Principles (GAAP) requires the recognition of revenues in the period earned which often times requires the use of an accounts receivable account in the accounting system. As part of effective controls over revenues and accounts receivables, there is a need for a monitoring process. This process would include the recording and tracking of accounts receivable into the Tribe's accounting system. The accounting department should maintain detailed records on billings, payments, and outstanding receivables and reconcile them to the general ledger on a monthly/annual basis. The responsibilities for billings, collections, and general ledger posting should be segregated in the system.

Effect: Unrecorded accounts receivable balances were identified by the auditor during the course of the audit. Audit adjustments were made to the Nation's financial statements to adjust accounts receivable balances which totaled \$678,732 and to adjust due from enterprises balances, relating to Shared Gaming Revenues, which totaled \$6,575,489.

Recommendation: Internal controls should be established which monitor all accounts receivables (billings, collections and ledger postings) for each appropriate revenue source. Periodic reconciliation procedures should be performed by the accounting department on recorded accounts receivable balances. Updates to the Nation's financial policies and procedures manual should be made which will properly reflect this process.

Current Year Status: **Resolved.**

Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015
Part B- Financial Statement Findings

Prior Year Audit Findings: – (Continued)

Internal Control over Financial Reporting

2013-003 Property Management
Material Weakness

Condition: The Nation's property records are incomplete, and are not consistently updated. In addition, a complete physical inventory of fixed assets has not been conducted and reconciled to the property records in the required two year time period.

Criteria or specific requirement: In accordance with OMB Circular A-102, Common Rule section 32 (d), require that complete and accurate property records be maintained, and that the records be reconciled to an actual physical inventory of property at least bi-annually. Appendix C, Section IX, X and XI of the Nation's Financial Management System Manual also requires accurate property records to be maintained and periodic physical inventories to be performed and reconciled to property records.

Effect: Without complete and accurate property records being maintained, the Nation faces risks in these areas: 1) safeguarding of assets and 2) financial misstatement.

Cause: It appears that staffing limitations and training issues may have contributed to this deficiency. The current property management policies do not clearly outline the procedures and duty assignments related to maintaining sufficient property records and in the conducting/reconciliation of the bi-annual physical inventory.

Recommendation: We recommend that the current policy be reviewed and updated to match the OMB requirements. The property records, which should include a tagging system, should be reconciled against the Nation's financial records on a monthly basis ensuring capture all capital asset purchases and disposals.

Current Year Status: **Resolved.**

Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015
Part B- Financial Statement Findings

Prior Year Audit Findings: – (Continued)

Internal Control over Financial Reporting

2013-008 Computer Systems
Significant Deficiency

Condition: During testing the auditor noted the following deficiencies:

- (1) The backups are not stored off-site or in a fire proof safe.
- (2) Passwords used to access the financial system are not required to be reasonably difficult and are not required to be changed periodically.
- (3) No written disaster recovery plan exists.

Criteria or specific requirement: Good business practices dictate the proper safe-guarding of financial information (protect from un-authorized access and from loss). A disaster recovery plan is essential to insure timely restoration/continuation of financial operations following a disaster.

Effect: A natural disaster or other major event could result in loss of the Nation's financial data. There is greater potential for un-authorized access to the financial system and inability of the Nation to quickly continue operations in the event of a disaster (natural or otherwise).

Cause: Adopted policies do not require that passwords be multiple characters with at least a required combination of alpha/numeric characters, that passwords be changed periodically, that data backups be stored off-site or in a fire proof safe, and that a written disaster recovery plan exist.

Recommendation: Update and implement policies to include items mentioned above. Have the IT department put together a written disaster recovery plan.

Current Year Status: **Resolved.**

**Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015
Part B- Financial Statement Findings**

Prior Year Audit Findings: – (Continued)

Compliance and Other Matters

None noted.

Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015
Part B- Financial Statement Findings

Current Year Audit Findings:

Internal Control over Financial Reporting

None noted.

Compliance and Other Matters

None noted.

Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015
Part C- Major Federal Award Programs Audit

PRIOR YEAR FINDINGS:

None

CURRENT YEAR FINDINGS:

None